

July 7, 2006

New Jersey Department of Environmental Protection
Air Quality Planning
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Re: Comments on Reducing Air Pollution Together Initiative White Papers

Dear Sir or Madam:

Conectiv Energy (Conectiv) appreciates the opportunity to provide the following comments on the various White Papers.

SCS 001 – Electric Generating Peaking Units

In Candidate measure 1: an incremental cost of \$44,000 per ton of ozone NOx reduction was cited. This was based on Conectiv's installation of water injection on its peaking units and a 20 year amortization. If, according to this paper's recommendation, water injection is installed in 2009, then the units are replaced with DLN technology based simple cycle turbines by 2015, this would require amortization of 6 years, which would result in an incremental cost of approximately \$90,000 per ton. This cost would be born by the companies that operate the peaking units, of which most are unregulated, and can not recover costs through electricity rate base.

Additionally, any control measures or emission reduction schemes that are proposed in New Jersey would be more effective and less costly to the state if they were part of a regional or national program that did not put New Jersey generators at a disadvantage to other generators in PJM.

GEN 001 – Pollution Action Day Controls

In Table 1: Pollution Action Day Measures, a measure entitled "Restriction of oil usage at major facilities (use of natural gas as an alternative)" is listed. Conectiv advocates for not including electric generating units (EGUs) in the category as this would limit fuel flexibility for generating companies, which in turn could decrease electric system reliability and increase the cost to generate electricity.

The cost analysis of this recommendation consisted of reviewing the costs to the Department of Environmental Protection (DEP), but not the costs to regulated community and the state as a whole. These costs should be analyzed as part of any future studies.

SCS 006B – No. 6 Fuel Oil-Fired EGU Boilers

In this case we recommend the use of low sulfur fuel oil as opposed to installation of a scrubber. A scrubber has much higher implementation costs to EGUs and reduces unit efficiency, require more fuel to be combusted to maintain load. Any reduction in fuel sulfur requirements should be coordinated with national programs to reduce fuel sulfur so as to ensure a readily available supply.

SCS 006A – Coal-Fired EGU Boilers

We recommend the state implement the Clean Air Interstate Rule (CAIR), and not deviate from the timing or emissions rate limitations so as not to disadvantage New Jersey generators, and to minimize leakage of targeted emissions from neighboring states due to the importation of less expensive power from higher emitting sources.

Again, thank you for the opportunity to comment on the White Papers. We look forward to working with the state on developing reasonable environmental policy that does not unfairly burden the state's economy in relation to the economy of other states in the region.

Kind regards,

A handwritten signature in black ink, appearing to read 'M. Gary Helm', with a long horizontal stroke extending to the right.

M. Gary Helm
Sr. Environmental Coordinator